

CITY OF OLYMPIA
Thurston County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Federal Findings

1. The City Needs To Improve Its Federal Reporting And Cash Management Procedures

Our audit of the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program at the City of Olympia revealed that, for 1994, the city's housing and community development department maintained an average daily balance of \$220,003 of federal funds.

The cash on hand balances were invested in certain pooled investments by the city treasurer. We estimate the city earned interest of approximately \$9,354 on these federal funds. These interest earnings did not go back into program income.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, Sections .21(c) and 21(i), respectively provides for advances providing grantees:

. . . maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursements by the grantee

. . . shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency . . . or to be put back into the federal program

Failure to keep federal cash disbursements limited to the program's immediate needs, failure to evaluate the size of the balances in relation to the program's needs, and failure to remit back into the program any interest income earned on federal funds violates federal requirements concerning cash management which could jeopardize future grant funding.

The city improperly excluded federal funds on hand from the computation used to draw down funds on Federal Cash Transactions Report (Form 272). This apparently occurred because of a lack of training and inadequate communication of cash information between housing and community development and city accounting departments. We were advised by the city's housing and community development department management that they did not thoroughly understand federal cash management requirements and did not realized the program had so much federal cash on hand.

We recommend the city correct the current advance position of federal cash with this program.

We also recommend grant administrators become familiar with statutory and regulatory requirements applicable to their respective federal assistance programs and adequately train personnel in the accounting and administration of the federal programs.

We further recommend the city and HUD officials negotiate an agreement resolving the \$9,354 in interest earnings.